

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE EASTERN DISTRICT OF VIRGINIA
(Alexandria Division)**

In re:)
AIROCARE, INC.,) Case No. 10-14519-RGM
Debtor.) (Chapter 11)
)

**DEBTOR'S MOTION FOR ENTRY OF AN ORDER SETTING A SPECIAL
HEARING ON (I) MOTION FOR ORDER APPROVING SETTLEMENT
AGREEMENT BETWEEN THE DEBTOR AND TERRANCE O. WOODBRIDGE
AND (II) MOTION FOR ORDER APPROVING SETTLEMENT AGREEMENT
BETWEEN THE DEBTOR AND WILLIAM R. CHAMBERS**

AirOcare, Inc., the debtor (the "Debtor") in the above-captioned bankruptcy case, by and through its undersigned counsel, hereby moves the Court (the "Motion") for entry of an order setting a special hearing (the "Hearing") at 9:30 a.m. local time on October 17, 2011 to consider (i) the Motion for Order Approving Settlement Agreement (the "Woodbridge Settlement Motion") between the Debtor and Terrance O. Woodbridge ("Woodbridge"), and (ii) the Motion for Order Approving Settlement Agreement between the Debtor and William R. Chambers (the "Chambers Settlement Motion" and, together with the Woodbridge Settlement Motion, the "Settlement Motions"). In support of this Motion, the Debtor respectfully states as follows:

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Counsel to AirOcare, Inc.

Jurisdiction

1. This Court has jurisdiction to consider this Motion pursuant to 28 U.S.C. §§ 157 and 1334. This matter is a core proceeding pursuant to 28 U.S.C. § 157(b).
2. Venue is proper before this Court pursuant to 28 U.S.C. §§ 1408 and 1409.
3. The statutory bases for the relief requested herein are section 105(a) of the Bankruptcy Code and Local Rule 9013-1.

Background

4. Woodbridge served as the Vice-President of Technical Services of the Debtor until his employment was terminated in April 2009. Chambers served as Vice President and General Counsel for the Debtor until his employment was terminated in August 2009.
5. On November 12, 2010, the Debtor filed a complaint in the Bankruptcy Court against Woodbridge, Chambers and others seeking to recover on account of monies loaned by the Debtor and to recover avoidable transfers and damages for breach of fiduciary duty, breach of contract and unjust enrichment, among other things. The adversary proceeding was docketed as AirOcare v. Chambers, et al., Adversary Proceeding No. 10-01481 RGM (the "Adversary Proceeding"). On December 10, 2010, Woodbridge filed an answer to the complaint, denying any liability to the Debtor. On January 24, 2011, Woodbridge filed an amended answer to the complaint, as well as a counterclaim seeking declaratory relief and recovery of back pay, vacation pay, other pay and benefits and all amounts invested by him in AirOcare (the "Woodbridge Counterclaim"). On January 19, 2011, Chambers filed an answer to the complaint, denying any liability to the Debtor.

6. A final pretrial conference in the Adversary Proceeding was scheduled for August 8, 2011, but has now been continued to October 17, 2011. A trial date has not yet been scheduled.

7. On August 22, 2011, the Debtor and Woodbridge entered into a settlement agreement and on September 12, 2011, the Debtor and Chambers entered into a settlement agreement. Approval of the two settlement agreements is sought in the Settlement Motions. The Debtor has also entered into settlement agreements with Defendants Stuart Rutchik, Jack Prouty and Robert McDonald, each of which were approved by court order entered on September 15, 2011 [Docket Nos. 321, 322, and 323].

Relief Requested

8. By this Motion, the Debtor seeks this Court's entry of an order setting a special hearing on October 17, 2011, at 9:30 a.m. local time or as soon thereafter as counsel may be heard, to consider the Settlement Motions. The Debtor proposes October 17 as the hearing date for the following reasons: (a) the Debtor is scheduled to be before the Court on October 17 for a pre-trial conference in this matter and combining the pre-trial conference with the Settlement Motions will reduce costs for the Debtor and promote judicial economy; (b) scheduling the hearing on October 17 will still allow for 21 days notice to creditors and parties in interest as required by Bankruptcy Rule 2002(a)(3); (c) the Debtor will be in a position to dismiss the Adversary Proceeding once orders approving the Settlement Motions have been entered; and (d) the Debtor anticipates that the Settlement Motions will be unopposed.

Basis for Relief

9. Section 105(a) of the Bankruptcy Code provides this Court with the power

to set a hearing on the Settlement Motions. Section 105(a) states that a bankruptcy court “may issue any order, process, or judgment that is necessary or appropriate to carry out the provisions of [the Bankruptcy Code].” 11 U.S.C. §105(a).

10. The relief sought in the Settlement Motions is essential to the prompt dismissal of the Adversary Proceeding and the substantial consummation of this bankruptcy case in a timely manner.

Notice

11. Notice of this Motion has been given by electronic transmission through the Court’s CM/ECF system or via first class mail, postage prepaid, to the parties on the attached service list.

WHEREFORE, the Debtor respectfully requests that the Court enter an order, substantially in the form attached hereto, setting a hearing on Settlement Motions for 9:30 a.m. local time on October 17, 2011 and granting such other and further relief as the Court deems appropriate.

Dated: September 19, 2011

/s/ Lawrence A. Katz

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CERTIFICATE OF SERVICE

I hereby certify that on this 19th of September, 2011, I caused a copy of the foregoing Debtor's Motion for Entry of an Order Setting Special Hearing on (I) Motion for an Order Approving Settlement Agreement between the Debtor and Terrance O. Woodbridge and (II) Motion for Order Approving Settlement Agreement between the Debtor and William R. Chambers to be served via first class U.S. mail, postage prepaid, and/or by hand and/or electronic means upon the following:

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/s/ *Lawrence A. Katz*
Lawrence A. Katz